HOUSING MARKET INFORMATION

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Canada

CANADA MORTGAGE AND HOUSING CORPORATION

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Canadian Market Overview

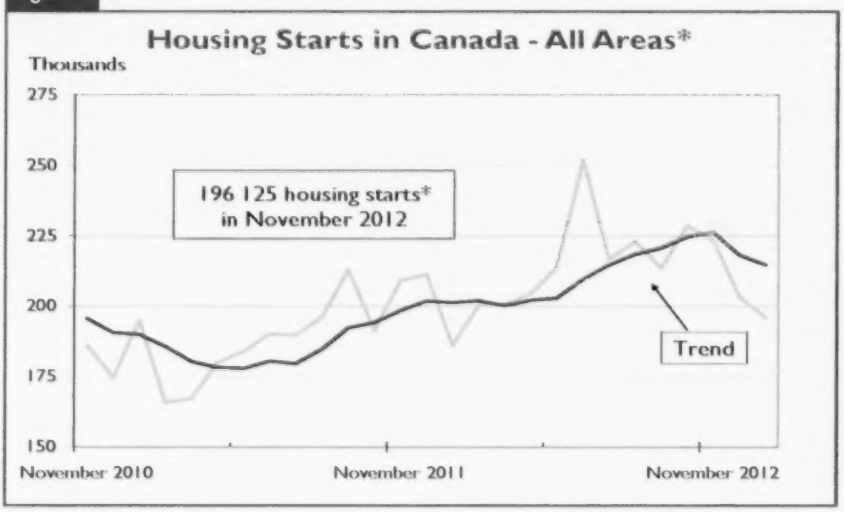
New Home Market

Housing starts decline in November

The number of housing starts was trending at 214,680 units in November. The trend is a six-month moving average of the monthly seasonally adjusted annual rates (SAAR)[1]. The standalone monthly SAAR was 196,125 units in November, down from 203,487 units in October. Housing starts in November were lower than the latest trend figure.

The monthly decrease registered was mostly due to declines in both single and multiple starts in Ontario and British Columbia.

Figure 1



Source: CMHC

*Seasonally adjusted at annual rates

[1]All starts figures in this report, other than actual starts, are seasonally adjusted annual rates (SAAR) — that is, monthly figures are adjusted to remove normal seasonal variation and multiplied by 12 to reflect annual levels. By removing seasonal ups and downs, seasonal adjustment makes it possible to highlight the fundamental trends of a series. Reporting monthly figures at annual rates indicates the annual level of starts that would be obtained if the monthly pace was maintained for 12 months. This facilitates comparison of the current pace of activity to annual forecasts as well as to historical annual levels.

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Urban starts decrease in November

In Canada's urban centres[2], the seasonally adjusted annual rate of total housing starts decreased by 4.0 per cent to 174,323 units in November, from 181,514 units in October.

The annual rate of multiple starts declined by 3.2 per cent to 115,717 units, while the annual rate of single starts fell by 5.4 per cent to 58,606 units.

In non-urban areas, the estimated seasonally adjusted annual rate of rural starts remained relatively stable (-0.8 per cent), reaching 21,802 units in November, compared to 21,973 units in October.

Inventories of new and unoccupied units remain stable

Inventories of new and unoccupied housing units[3] had been stable over the past year but rose slightly in November.

The inventory of new and unoccupied single- and semi-detached homes increased to 6,608 in November, from 6,406 units in October, and rose slightly above the 2011 narrow range of 5,500 to 6,200 units.

As for the inventory of new and unoccupied row and apartment units, they remained within the 2011 range of 12,600 to 14,200 units, reaching 13,371 in November, compared to 13,460 units in October.

The ratio of the inventory of new and unoccupied units to population, a simple gauge of potential overbuilding, has stabilized in recent quarters at levels close to its historical average (1982-2012 average of 5.4).

Construction intentions decrease for multi-family dwellings

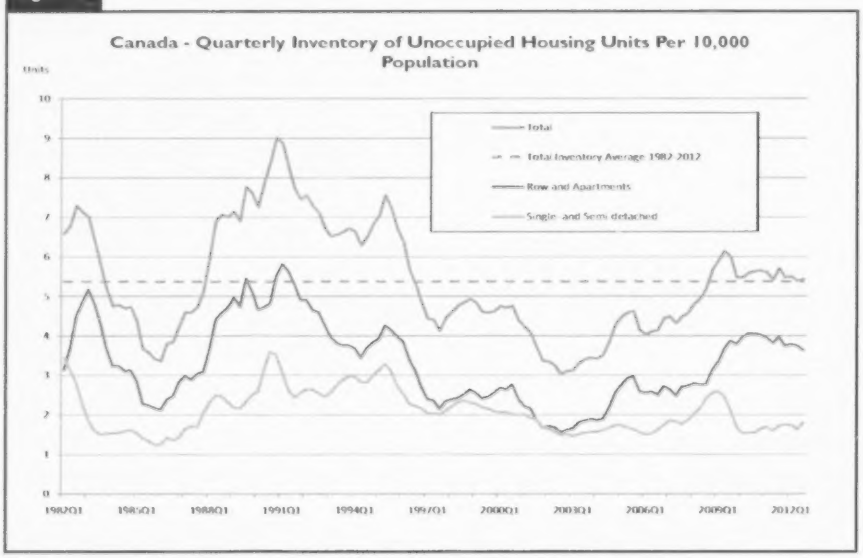
Statistics Canada conducts a building permits survey among 2,400 municipalities. These permits measure construction intentions and can serve as indicators of future starts.

The value of building permits for all dwellings fell by 4.1 per cent in October.

Construction intentions for multi-family dwellings declined by 3.0 per cent to $1.7 billion, for a fourth monthly decrease in a row. The value of permits for single-family dwellings fell by 4.9 per cent to $2.4 billion, after three monthly declines in four months.

Municipalities across Canada issued permits for the

Figure 2



Data are seasonally adjusted and annualized, and cover Canada's major markets
Source: CMHC
Last data point: 2012Q3. Will be updated to 2012Q4 in the January 2013 Housing Now.

[2] Urban centres are defined as centres with a population of at least 10,000. CMHC surveys urban centres with 10,000 - 49,999 inhabitants at the end of every quarter. Months that are not at the end of a quarter are estimates.

[3] The inventory of housing units is defined as the level of newly completed and unoccupied units. Units under construction are not taken into account in this inventory because some units under construction are pre-sold. The level of inventories discussed here is for urban centres with a population of over 50,000.

construction of 224,928 new dwellings (annual rate), up by 6.9 per cent in October from the previous month.

The increase was attributable to the rise in permits issued for the construction of multi-family dwellings, which went up by 16.3 per cent from September to October, to 141,816 units, while those issued for single-family dwellings fell by 6.0 per cent from September to October, to 83,112 units.

New Housing Price Index growth remains stable

The growth in the New Housing Price Index (NHPI) remained relatively stable in relation to the previous month, as the NHPI rose by 2.4 per cent in October 2012 compared to the same month in 2011, after having posted a similar increase the previous month.

Existing Home Market

MLS® new listings decline in November

The seasonally adjusted annual rate of Multiple Listing Service® (MLS®)[4] sales fell by 1.7 per cent to 428,712 units in November, from 436,236 units in October.

The seasonally adjusted annual rate of MLS® new listings in November was 852,144 units, for a decrease of 0.9 per cent from 859,884 units in October.

Figure 3

Data are seasonally adjusted and annualized, and cover Canada's major markets
Sources: CMHC, Canadian Real Estate Association (CREA), MLS®
Last data point: 2012M11

Balanced market conditions continue in November

An indicator of price pressure in the existing home market is the sales-to-new listings ratio[5]. New listings are a gauge of the supply of existing homes, while MLS® sales are a proxy for demand.

The sales-to-new listings ratio remained in balanced market conditions in November, as the decrease in new listings was outpaced by the decline in MLS® sales, which slightly brought down the sales-to-new listings ratio for Canada to 50.3 per cent in November, from 50.7 per cent in October. Canadian housing market conditions are further anchored in balanced market territory, having been balanced since May 2012.

Resale market prices remain relatively stable

The national seasonally adjusted average MLS® price remained relatively stable (-0.8 per cent) in November to $359,742, from $362,769 in October. Also in November, the unadjusted average MLS® price decreased, edging down to $356,687 from $359,668 a year before.

[4]Multiple Listing Service (MLS®) is a registered trademark owned by the Canadian Real Estate Association.

[5]Taking the Canadian MLS® market as a whole, a sales-to-new-listings ratio below 40 per cent has historically accompanied prices that are rising at a rate that is less than inflation, a situation known as a buyers' market. A sales-to-new-listings ratio above 55 per cent is associated with a sellers' market. In a sellers' market, home prices generally rise more rapidly than overall inflation. When the sales-to-new-listings ratio is between these thresholds, the market is said to be balanced.

Earlier this year, the Canadian Real Estate Association (CREA) launched a house price index[6] that uses statistical techniques to control for changes over time in the types and quality of homes sold. The home price index rose by 3.5 per cent from November 2011 to November 2012 in the markets covered, compared to an increase of 3.6 per cent from October 2011 to October 2012.

On balance, these two CREA measures indicate a pause following a period of moderation in home price growth.

By comparison, the Teranet–National Bank National Composite House Price Index™, which also uses statistical techniques to control for changes in the types and quality of homes sold over time, posted a 0.4-per-cent decrease in November, following a 0.3-per-cent decline in October, but still showed a 3.3-per-cent increase over the previous year.

Economic conditions

According to Statistics Canada, employment rose by 1.7 per cent in November over 12 months earlier, a gain that was essentially attributable to full-time employment. Given the increase in the participation rate, Statistics Canada reported that the unemployment rate fell by 0.2 of a percentage point, to 7.2 per cent, in November.

Compared with the corresponding month in 2011, employment was up 1.7 per cent in November (an increase of 293,800 jobs). Most of the gains posted on a year-over-year basis were concentrated in full-time employment, which recorded an increase of 1.7 per cent (243,800 jobs), while part-time employment increased by 1.5 per cent over the same period, for a gain of 49,900 jobs.

Statistics Canada's Consumer Price Index rose by 0.8 per cent in the 12 months to November, after having recorded an increase of 1.2 per cent in October. Core inflation, which excludes the eight most volatile items and the effect of changes in indirect taxes, rose by 1.2 per cent in the 12 months to November, following an increase of 1.3 per cent in the previous period.

On December 4, the Bank of Canada announced that it would maintain the target for the overnight rate unchanged at 1.0 per cent. In its latest (October 2012) Monetary Policy Report (MPR), the Bank of Canada stated that "The global economy has unfolded broadly as the Bank projected in its July MPR [...] In Canada, while global headwinds continue to restrain economic activity, domestic factors are supporting a moderate expansion. Following the recent period of below-potential growth, the economy is expected to pick up and return to full capacity by the end of 2013."

The five-year posted mortgage interest rate remained unchanged at 5.24 per cent and has been stable since June 2012.

The next interest rate announcement of the Governing Council of the Bank of Canada is scheduled to take place on January 23, 2013. ■

[6]The MLS® Home Price Index is based on single family, townhouse/row unit, and apartment unit sales activity in Greater Vancouver, the Fraser Valley, Calgary, Regina, Greater Toronto and Greater Montréal.

This Month's Housing Data (SAAR)

	2011	Q1:12	Q2:12	Q3:12	M09:12	M10:12	M11:12
Housing starts, units, 000s							
Canada. Total. All areas	**194.0**	**205.2**	**229.1**	**222.9**	**223.4**	**203.5**	**196.1**
Per cent change from previous period	2.1	2.4	11.7	-2.7	-2.2	-8.9	-3.6
Canada. Total. Rural areas	**19.6**	**19.0**	**22.5**	**22.4**	**21.4**	**22.0**	**21.8**
Per cent change from previous period	-17.5	-9.5	18.3	-0.3	8.6	2.6	-0.8
Canada. Total. Urban areas	**174.4**	**186.2**	**206.7**	**200.6**	**202.0**	**181.5**	**174.3**
Per cent change from previous period	4.9	3.8	11.0	-3.0	-3.2	-10.1	-4.0
Canada. Single. Urban areas	**67.1**	**67.2**	**68.0**	**68.9**	**67.1**	**61.9**	**58.6**
Per cent change from previous period	-9.6	-0.6	1.3	1.2	-1.3	-7.8	-5.4
Canada. Multiple. Urban areas	**107.3**	**119.0**	**138.7**	**131.7**	**134.9**	**119.6**	**115.7**
Per cent change from previous period	16.7	6.4	16.5	-5.0	-4.2	-11.3	-3.2
Newfoundland. Total. All areas	**3.5**	**3.7**	**4.0**	**4.3**	**3.8**	**3.5**	**3.6**
Per cent change from previous period	-3.3	9.7	9.9	7.3	-1.6	-9.6	4.8
Prince Edward Island. Total. All areas	**0.9**	**0.5**	**1.1**	**1.2**	**1.4**	**0.8**	**0.7**
Per cent change from previous period	24.3	-58.9	145.8	6.6	29.7	-39.0	-16.7
Nova Scotia. Total. All areas	**4.6**	**3.8**	**3.7**	**5.4**	**6.1**	**8.3**	**2.6**
Per cent change from previous period	7.8	-21.2	-2.3	45.3	-9.9	36.1	-69.1
New Brunswick. Total. All areas	**3.5**	**2.6**	**3.8**	**3.4**	**6.4**	**2.8**	**2.8**
Per cent change from previous period	-15.8	-31.3	49.2	-11.5	90.7	-55.8	-1.9
Quebec. Total. All areas	**48.4**	**41.2**	**52.4**	**49.3**	**49.5**	**41.4**	**47.0**
Per cent change from previous period	-5.8	-16.0	27.2	-6.0	5.6	-16.3	13.4
Ontario. Total. All areas	**67.8**	**79.0**	**81.9**	**79.0**	**71.6**	**67.1**	**57.9**
Per cent change from previous period	12.2	18.5	3.6	-3.5	-18.6	-6.2	-13.8
Manitoba. Total. All areas	**6.1**	**6.7**	**7.8**	**8.3**	**8.5**	**6.6**	**6.5**
Per cent change from previous period	3.3	-7.3	15.6	6.5	-8.8	-21.9	-1.4
Saskatchewan. Total. All areas	**7.0**	**8.8**	**9.6**	**10.8**	**13.3**	**10.5**	**11.7**
Per cent change from previous period	19.0	19.3	9.3	12.7	37.3	-21.6	11.4
Alberta. Total. All areas	**25.7**	**31.4**	**35.5**	**32.6**	**33.3**	**33.3**	**38.9**
Per cent change from previous period	-5.1	3.0	13.1	-8.1	14.0	-0.2	17.0
British Columbia. Total. All areas	**26.4**	**27.6**	**29.4**	**28.7**	**29.5**	**29.1**	**24.5**
Per cent change from previous period	-0.3	3.8	6.3	-2.3	-3.0	-1.2	-16.0

SOURCE: CMHC, Starts and Completions Survey. All data are seasonally adjusted and annualized. This seasonally adjusted data goes through stages of revision at different times through the yearly cycle resulting in finalization of preliminary data. These revisions take place at the end of each month, quarter and year.

This Month's Housing Data, continued (SAAR)*

	2011	Q1:12	Q2:12	Q3:12	M09:12	M10:12	M11:12
Housing starts, units, 000s							
Canada. Total. Urban areas	174.4	186.2	206.7	200.6	202.0	181.5	174.3
Newfoundland. Total. Urban areas	2.3	2.5	2.6	2.7	2.5	2.2	2.1
Prince Edward Island. Total. Urban areas	0.7	0.3	0.8	0.9	1.1	0.6	0.4
Nova Scotia. Total. Urban areas	4.1	3.1	3.1	4.8	5.5	7.6	2.1
New Brunswick. Total. Urban areas	2.5	2.0	2.8	2.8	5.8	2.0	2.1
Quebec. Total. Urban areas	41.8	35.2	45.1	42.2	41.7	34.8	40.1
Ontario. Total. Urban areas	65.2	77.1	79.8	77.1	69.8	65.1	55.8
Manitoba. Total. Urban areas	4.2	4.3	5.4	5.9	6.8	4.1	4.2
Saskatchewan. Total. Urban areas	5.7	6.9	7.2	8.3	11.0	8.9	9.7
Alberta. Total. Urban areas	23.6	29.0	32.4	29.5	30.7	29.6	35.5
British Columbia. Total. Urban areas	24.3	25.8	27.4	26.3	27.2	26.7	22.3

SOURCE: CMHC, Starts & Completions Survey. All quarterly and monthly data are seasonally adjusted and annualized.This seasonally adjusted data goes through stages of revision at different times through the yearly cycle resulting in finalization of preliminary data. These revisions take place at the end of each month, quarter and year.

This Month's Major Housing Indicators

	2011	Q1:12	Q2:12	Q3:12	M09:12	M10:12	M11:12
New Housing							
New & unoccupied singles & semis, units 000s	6.2	6.1	5.7	6.1	6.1	6.4	6.6
Per cent change from same period previous year	6.0	4.2	2.9	6.7	6.7	8.4	9.2
New & unoccupied row & apartments, units 000s	12.9	13.1	12.7	12.7	12.7	13.5	13.4
Per cent change from same period previous year	-6.0	1.6	-4.1	-5.6	-5.6	1.6	6.1
New House Price Index, 2007=100	105.5	107.0	107.8	108.3	108.5	108.7	n.a.
Per cent change from same period previous year	2.2	2.4	2.4	2.3	2.4	2.4	n.a.
Existing Housing							
MLS® resales*, units 000s	457.3	473.7	472.0	441.5	438.5	436.2	428.7
Per cent change from same period previous year	2.4	3.3	6.1	-2.8	-4.8	-6.3	-8.3
MLS® average resale price, 000s**	363.1	368.4	364.2	361.5	363.0	362.8	359.7
Per cent change from same period previous year	7.1	1.0	-0.4	0.0	0.4	0.1	-0.8
Mortgage Market							
Posted 1-Year Mortgage Rate, % (period average)	3.52	3.30	3.20	3.10	3.10	3.10	3.10
Posted 5-Year Mortgage Rate, % (period average)	5.37	5.26	5.34	5.24	5.24	5.24	5.24

SOURCE: CMHC, Statistics Canada, Bank of Canada, The Canadian Real Estate Association.

n.a. Figures not available.

* Annual data is actual. Quarterly and monthly data are seasonally adjusted and annualized (SAAR).

** Annual data is actual. Quarterly and monthly data is seasonally adjusted.

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